

An organization formed to promote the interests of a particular retail trade which advises its members in the operation of their individual businesses and sells supplies and equipment to them is not exempt from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization formed to promote the interests of a particular retail trade under the circumstances described below is entitled to exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

A nonprofit organization was formed to promote the interests of a particular retail trade. Its members are actively engaged in that trade. Field representatives of the organization call on the members to consult with them and advise them on their individual business problems. The advice furnished includes assistance in planning modernization and layouts of the members' stores. As part of their calls, the field representatives also inform the members about supplies, equipment, and additional services which the organization can make available to the members at low prices.

This includes office and store operating supplies, store fixtures and display accessories, store layout and merchandising services, and electronic management services. Services of the field representatives and sales of supplies and equipment constitute the principal activities of the organization.

Section 501(c)(6) of the Code provides exemption from Federal income tax for business leagues, chambers of commerce, real estate boards and boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind organization whose on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league.

The activities described above provide the members of the organization with an economy and convenience in the conduct of their individual businesses by enabling them to secure supplies, equipment, and services more cheaply than if they had to secure

them on an individual basis. Therefore, these activities constitute the performance of particular services for individual persons as distinguished from activities aimed at the improvement of business conditions in their trade as a whole. They also constitute a business of a kind ordinarily carried on for profit even though they are conducted on a cooperative basis and produce only sufficient income to be self-sustaining. See *Indiana Retail Hardware Association, Inc. v. United States*, U.S. Court of Claims, No. 91-60, 10-14-66.

Since the sale of supplies and equipment and the furnishing of consultation services are the organization's principal activities, the organization does not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.